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ABSTRACT

Technological, demographic, and competitive pressures have transformed the U.S. labor market and must be dealt with on a priority basis. The urgency of the problem can best be addressed by creating a national institution that is independent of government, business, and labor but that draws on all three sectors to develop a broad array of policies to generate greater educational and employment opportunities. Increasing the capacity of the American work force to adjust to the changing demands of the labor market will require a renewed financial and political commitment to education and training. Continuing education, training, and retraining must not be the sole province of the school system, but must become an integral part of business operations. Also imperative are more cooperative labor-management relations, including worker participation programs and cooperative initiatives in conjunction with government programs such as short-term unemployment compensation to facilitate job sharing. Priority must be given to effective management of human capital resources if the United States is to maintain an undiminished stature in global affairs. (Appendixes to this report include descriptions and membership lists of the Economic Policy Council of the United Nations Association of the U.S.A. [UNA-USA] and annotated listings of UNA-USA Economic Policy Council, policy study, and multilateral project reports, as well as works included in the UNA-USA book series.) (MN)

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THE JOBS CHALLENGE:

PRESSURES AND POSSIBILITIES

A Report of the

Jobs Panel of the

Economic Policy Council of UNA-USA

April 1985

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TABLE OF CONTENTS

Page		
v	FOREWORD	
vii	EXECUTIVE SUMMARY	
1	CONCLUSIONS AND RECOMMENDATIONS	
5		Human Capital Resources
8		Work Transitions
12		The Educational Imperative
17		Training and Retraining
19		Recasting Labor-Management Relations
21		The Premium on Flexibility
23		Job Creation
26	INTRODUCTION	
29	Chapter I:	THE MAJOR TRENDS INFLUENCING US WORK LIFE
37	Chapter II:	CURRENT US JOBS PROFILE
42	Chapter III:	INTERNATIONAL COMPARISONS
51	Chapter IV:	POLICY AREAS
76	CONCLUSION	
77	THE ECONOMIC POLICY COUNCIL	
85	UNITED NATIONS ASSOCIATION OF THE USA	
86	UNA-USA ECONOMIC POLICY COUNCIL REPORTS	
87	UNA-USA POLICY STUDIES REPORTS	
89	UNA-USA MULTILATERAL PROJECT REPORTS	
90	UNA-USA BOOK SERIES	

FOREWORD

Robert O. Anderson
Douglas A. Fraser
Chairmen, Economic Policy Council

The US labor market is undergoing rapid changes that will transform our jobs profile for years to come. Domestic and international economic shifts have made wide-scale job transitions inevitable, and it is essential that we, as a nation, increase the competitiveness and adaptability of American companies and workers.

The Economic Policy Council (EPC) launched the jobs panel, the first segment of our world employment project, to assess the dramatic impact of work transitions on the US economy and to develop a set of policy recommendations aimed at easing the burdens that accompany these transitions. By comparing the United States to other industrialized countries and by drawing on the experience of several US companies and unions, the jobs panel determined that the United States must begin to develop a wide array of human capital-resource policies. The panel recognized, however, that these policies alone will not prevent the high rates of unemployment that have haunted the economy in recent years. Macroeconomic policies have a decisive impact on jobs and must be more carefully coordinated if we are to avoid

continuing severe job dislocations.

This project was made possible by a generous grant from the German Marshall Fund of the United States. The collection of papers presented to this panel will be published by Ballinger Publishing Company as a separate book entitled The Jobs Challenge: Pressures and Possibilities.

In its 1985-86 cycle of panel studies, the EPC will be completing the second segment of its world employment project, which examines working parents and family policy, and will be launching a new panel on US policy toward the newly emerging industrial countries.

These studies are part of the continuing EPC series on international economic issues. This series includes: The Global Repercussions of US Monetary and Fiscal Policy (September 1984); U.S. Trade and Economic Relations with Japan and Mexico (October 1983); The Productivity Problem: U.S. Labor-Management Relations (October 1983); and U.S. Policies Toward the World Bank and the International Monetary Fund (August 1982).

EXECUTIVE SUMMARY
John H. Filer
Douglas A. Fraser
Chairmen, Jobs Panel

Jobs are the paramount issue of the 1980's. Technological, demographic, and competitive pressures have transformed labor markets and must be dealt with on a priority basis. Gross neglect of our human capital threatens America's position at the forefront of industry and commerce.

In the judgment of this panel, the urgency of the problem can best be addressed by creating a permanent national institution -- independent of government, business, and labor but drawing on the best of all three -- to develop a broad array of policies that will generate greater educational and job opportunities.

To help ease the social and economic hardships of workers and communities adversely affected by job disruptions, companies should provide early notification of such job-related developments as plant closings and major shifts in technology. Employers, both on their own and through collective bargaining, should seek to devise adjustment programs that will help their work force adapt to difficult job transitions.

Increasing the capacity of the American work force to adjust to the changing demands of the labor market will require a renewed financial and political commitment to education and training. Our fundamental educational objectives must be to attract and retain competent, talented teachers and to set higher, more rigorous standards for students. Continuing education, training, and retraining must not be the sole province of the school system, but must become an integral part of business operations.

More cooperative labor-management relations are also imperative. The stakes are too great for a carry-over of old animosities. Managers must become more responsive to the needs of workers, and workers and unions must become more responsive to the performance and competitiveness of their individual firms and industries. Worker participation programs should be implemented to improve competitiveness and the quality of work life. These cooperative initiatives in conjunction with government programs, such as short-time unemployment compensation to facilitate job-sharing, are essential to our nation's ability to adapt successfully to a shifting economic climate.

US competitiveness, the welfare of our citizenry, and our national security are in the balance. A new sense of priority must be given to the effective management of our human capital resources if we are to maintain an undiminished stature in global affairs.

CONCLUSIONS AND RECOMMENDATIONS

Work life in the United States is in the midst of a powerful transition. A swiftly changing competitive environment is forcing managers and workers to make wrenching adjustments, and these adjustments are creating grim job dislocations. Despite the large number of new jobs that have been created in recent years, US unemployment remains at levels that would have been considered recessionary only a decade ago. Many Americans are losing long-held jobs outright and discovering that they are ill-equipped for the kinds of positions being created. Others are finding that they must master demanding new skills and overcome entrenched work attitudes in order to keep their jobs. As a nation we face an expanded agenda of job-related problems that if unresolved will threaten the livelihood and standard of living of many Americans and could disable the competitiveness of US business at home and abroad. These problems have multiple causes, but each requires strategies to ease its impact on employees and companies.

Purpose

The purpose of this report is to review our jobs problems and to recommend targeted measures to help resolve them. However, it should be stressed at the outset that macroeconomic policies have a decisive impact on jobs.[1] Without better macroeconomic management, targeted jobs measures, no matter how well they are thought out or how effectively they are implemented, will meet with limited success. We cannot solve our jobs problems in an environment of poorly coordinated monetary and fiscal policies, high interest rates, an overvalued dollar, massive budget deficits, and economic uncertainty. But even in a favorable economic setting, we would still face extensive dislocations, since technology, international competition, and the accelerating momentum of change are fundamentally transforming contemporary work life. The achievement of genuine full employment will require government, labor, and business to focus on sensible micro and macro measures.

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[1]For a thorough analysis of the impact of macroeconomic policies on US labor markets, see The Need For U.S. Industrial Objectives (1981) and The Global Repercussions of US Monetary and Fiscal Policy (1984), Economic Policy Council of the United Nations Association of the United States. These studies outline the need for US economic policy to rebuild US competitiveness and take into account the international dimensions of our macroeconomic decisions. Copies of these and other EPC reports may be obtained through UNA-USA.

The Scope of the Challenge

The jobs challenge does not stop with the shifting economic environment. The character of the American labor force is being transformed in fundamental ways, and we will need to develop creative responses to the challenges ahead. The "baby boom" generation and over one-half of all working-age women are already in the work force. The baby boomers were followed by the "baby bust" generation, and as a result, the growth rate of the US labor force is declining and the average US worker is growing older. The United States has created over seven million jobs since the end of the 1981-82 recession, and although slower labor-force growth will reduce some of the pressures to create new jobs, the problems of displaced workers, inadequate education and training, immigration,[2] lagging competitiveness, discrimination, and uneven economic demand will persist.

Over the next decade, a larger proportion of new job seekers will be minorities and women. Women will account for two-thirds of the new entrants into the work force, and by 1995, approximately 60.3 percent of all women will be working. Such issues as health-care costs, wage discrimination, continuing education, flexible work schedules, and child-care will become premium concerns, as employers face the challenge of having to effectively utilize different

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[2]For a complete discussion, see Illegal Immigration: Challenge to the United States (1981) Economic Policy Council, UNA-USA. This study documents the massive influx of illegal immigrants into the United States, explores the social and economic consequences, and sets forth a comprehensive series of measures to contain illegal immigration.

combinations of workers and work schedules.[3] These concerns will undoubtedly make human-resource management more complex, but they must not be allowed to overshadow our long-standing commitment to equal opportunity.

Global Links

The shifting world of work does not stop at our doorstep. It has inescapable international dimensions. The American economy is closely tied to the global economy, and it is essential that we recognize the policy implications of these global linkages[4] and their impact on our labor markets. The high value of the dollar, large-scale capital flows, and widespread illegal immigration have a critical impact on American jobs. The United States cannot carry the jobs problems of the rest of the world on its shoulders. We must work with other countries to foster global economic growth, and we should encourage other nations to adopt labor reforms (e.g., work standards, freedom-of-association guidelines, occupational health and safety laws, and child labor laws) that will allow workers to share in economic gains and that will make international labor markets more compatible.

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[3]The EPC has launched a separate study project on "Parents and Work: Family Policy in Comparative Perspective," which will examine these issues in greater detail. The final report will be released in the fall of 1985.

[4]See The Global Repercussions of US Monetary and Fiscal Policy (1984), Economic Policy Council, UNA-USA.

In meeting the social and competitive challenges of the changing world of work, no area is more critical than human capital resources. Our economic future will depend in large part on how well we develop and employ our citizenry. We must ease work transitions, upgrade education, encourage continuous training, improve labor-management relations, enhance labor market flexibility, and create significant numbers of new jobs. All sectors of the US economy have a vital role to play in this effort -- federal, state, and local government, the private sector, the school system, and, not least, the American worker. The recommendations that follow suggest ways to cope with these broad economic and social shifts. These recommendations represent a consensus. Since any consensus is the result of compromise, these recommendations may not exactly reflect the individual views held by each panel member.

HUMAN CAPITAL RESOURCES

As never before, the skilled intelligence of the American work force is the key to our nation's economic performance and international standing. Just as a skilled, motivated work force can provide the United States with a keen competitive edge, an undisciplined, poorly trained work force can put a permanent drag on the US economy. Despite the critical importance of human capital resources to the new information age that we have entered, little consideration is given to human resources when major US

economic and social policies are formulated. If we are to compete successfully, we must see to it that the systematic development of our human resources becomes an integral part of our overall economic strategy.

It is not enough simply to react to our jobs problems after they become headlines. We must aggressively anticipate the human-resource challenges that lie ahead and strive to prevent massive job dislocations before they take place. Failure to recognize the tremendous impact that broad economic policies in such areas as tax, trade, education, health, and civil rights have on our human resources will put US competitiveness and jobs at risk. Proposals to improve our human capital resources have come from a variety of organizations and from time to time have resulted in bold new initiatives that have had an impact. But the implementation of policy proposals has not kept pace with the expanding array of problems. If we are to begin to resolve our jobs problems, we must effectively translate proposals into action.

The private sector and federal, state, and local governments all have a role to play. Critical issues will have to be moved onto the national agenda, and systematic support will have to be developed to assure that appropriate measures are taken. This will not be easy given the fact that human resources are rarely considered when broad social and economic policies are formulated. At the state and local levels, communities must begin to plan ahead for

change and curb the kind of job dislocations that are straining existing labor-adjustment systems. However, this is a national issue, and national policies and programs, as well as state and local actions, will be needed.

Recommendation

1. A permanent national institution should be created that focuses on the human-resource implications of economic, social, and other policy and job-related developments. This institution would involve leaders from business, labor, universities, nonprofit organizations, and consumer groups in the effort to integrate strategic human-resource considerations into the policymaking process and to improve the implementation of recommendations. Its purpose would be to temper job dislocations, to facilitate labor-market adjustments and to enhance US competitiveness. It would not duplicate the work of other policy-oriented organizations, but would serve as a catalyst for change by providing a neutral forum for leaders from different sectors to build coalitions, integrate recommendations, and marshal support for a preferred course of action. The institute would undertake research, serve as an information clearinghouse, and consult closely with those involved in policy formulation and program implementation.

The strategic human-resource institute could take many different forms. It should be formed as a private organization, which might include public officials. The

institute would provide a forum for the many different policy groups dealing with human-resource issues; release a periodic human-resource impact statement that would analyze the human-resource implications of key US economic policies; and analyze the effects that the performance of our human resources have on US economic policies. It is not our intention to recommend a specific format, but we do feel strongly that this institution should be situated so that it can choose its own agenda after close consultation with the major players and speak with a strong, independent voice.

WORK TRANSITIONS

Repeated job transitions, both within and among firms, will be a prominent feature of work life in the foreseeable future. Unless we prepare for these shifts, they could accelerate uneven job distribution among industries, regions, and demographic groups and lead to chronic high unemployment alongside vacant job openings. We should look ahead and prepare for work transitions before they take place, since in the wake of disruptive change workers are often demoralized and both labor and management lack the support systems necessary to adjust. However, effective forward planning will not be easy because technology and rapid change have shortened lead times. Private employers, workers, and the government all have a role to play because

the costs of the changes needed to produce a more competitive society as well as the benefits stemming from increased competitiveness must be distributed in an equitable fashion.

Recommendations

1. It is essential that companies give early notification of plant closings and other developments that adversely affect jobs and thereby give displaced workers and communities opportunities to make transitions. Before shutting down a plant, discontinuing a line of business, or taking other actions that affect jobs, companies should consider the human-resource implications of these actions and confer with employees, unions, and the community to ease any job dislocations. In the case of plant closings, companies should consult with employees about possible alternatives. If plant closings and other actions that result in job dislocations are unavoidable, companies should give as long advance notice as possible and make every effort to find internal job opportunities for displaced employees. When this is not possible, companies should work with the federal and state governments to provide counseling, job-search assistance, and training for other jobs. Additional protection for affected workers should include severance, pension, and health benefits. Opinions differ widely with respect to the implementation of this recommendation, with some groups believing that it should be voluntary and others that some form of mandate is required. Careful thought should be

given to whether implementation should be on a voluntary basis or should consist of incentives, legislation, or collective-bargaining agreements.

2. Individual workers should be actively assisted to improve their adaptability on a continuing basis. Employees cannot be passive in the face of change. They should actively participate in employer and community programs and activities that teach new skills and ready them for new responsibilities. They should be given opportunities, either on the job or in community activities, to improve their basic skill level so that they will be better prepared to shift to new jobs. Well-educated and well-trained people have more job flexibility and greater job opportunities.

3. Collective bargaining has played an important role in easing work transitions, and both union and nonunion firms should look closely at the type of solutions arrived at in recent collective-bargaining agreements. The employment-security fund and education and training programs established by the United Auto Workers agreements with General Motors and Ford, and the Communication Workers of America's Committee on the Future, are examples of creative efforts that deserve attention. Although it is too early to gauge the success of these initiatives, they represent positive attempts by unions and companies to look ahead, to anticipate change, and to help workers adapt.

4. The US Employment Service is not fulfilling its intended role as a labor exchange and should be substantially overhauled. The nation needs a strong labor-market exchange that provides information to employers and job seekers, and Congress should refocus the Employment Service on its labor-information function. A system should be created to register all unemployed workers, and incentives should be established for companies to recruit from this system and to expand the number and kind of jobs they list. There should also be more networking among states to provide job information across state borders. It is unlikely that such reforms will be achieved within the present federal-state structure. Since a national labor exchange is required, Congress should consider either federalizing the existing system or turning it into a private, nonprofit corporation.

5. Congress and the administration should place high on the agenda the development and passage of a comprehensive displaced-worker program. The burden of worker transition should not be borne solely by the adversely affected worker and the business community but by the public sector as well. The United States does not have a credible displaced-worker program that speeds the movement of the dislocated to new jobs and eases the economic hardship of those seeking new employment. Title III of the Jobs Training Partnership Act

is more a recognition of the problem than it is a solution. Neither is the Trade Adjustment Assistance Act adequate to the task.

THE EDUCATIONAL IMPERATIVE

The ability of the United States to maintain its competitive strength will depend to an important degree on our public schools. Educational failure, which could once be regarded as an individual or a social problem, will have a very direct impact on business performance in the future, and we must make a renewed commitment -- both financial and political -- to our schools. Many state and local governments already recognize that excellence in education can give them a competitive edge and are rehabilitating their schools. And many businesses, convinced of the need for a well-educated work force, are systematically increasing their involvement in schools. But we must do much more.

Schools must begin to emphasize the paramount role that work plays in life and must also emphasize that the ability to learn is itself a critical work-related skill. Making the connection between work and school is essential to the effective utilization of our human capital resources. There are other serious problems in the school system that must be addressed: poor standards, lack of concern with basic cognitive skills, decentralized course requirements, and poorly qualified teachers.

Two crucial issues stand out. First and most importantly, we must reverse the flight of competent educators from teaching and attract more talented college graduates into the teaching profession. By 1986, it is anticipated that the United States will need 170,000 new teachers, but only 88,000 new teacher graduates will be available that year. And we are not only failing to hire the best and brightest of our graduates to teach the next generation of American children, we are not even hiring average college graduates. Second, we must develop a comprehensive program of educational reform that includes higher standards for students without sacrificing our commitment to equal access to quality education. The problems of largely black schools in poor areas are especially critical. Overcrowding, discipline problems, poorly prepared teachers, and rapid teacher turnover are just some of the difficulties they face, and special resources must be mobilized to help students in these schools. The Head Start program has proven to be a very cost-effective way of meeting this challenge, but it reaches only about 18 percent of the disadvantaged children in need and should be extended.

Recommendations

1. The United States should make quality education for all Americans a national priority and should recognize the need for increased resources from both the government and the private sector. Federal, state, and local governments

should recognize that an educated labor force is critical to competitiveness and economic growth. California, Texas, and Tennessee have already pushed through educational reforms that have increased school funding and lifted teacher and student standards. Other states should follow their lead. Greater school-business cooperation is in the vital self-interest of both parties and the larger community. The greatest contribution that the private sector can make is a political commitment at the highest level to excellence in public education. Companies should provide appropriately targeted financial aid and professional support to their community school systems. School boards, superintendents, and principals, on the other hand, should recognize that they are likely to receive more financial resources and professional support if they clearly outline their needs and define how this assistance will be used.

2. Improving the quality of teaching is essential to educational reform, and the United States should enact standards and salary scales that will upgrade the level of instruction. Teacher requirements that set a high standard for entry-level teachers should be established. Minimum competency is not enough. Beginning teachers should be required to meet a standard that represents at least the average of all college graduates. Improved teacher education programs that emphasize more subject-matter competence and less methods courses are also required. Teachers'

entering salaries should be raised to the competitive levels required to attract qualified candidates, and career salary patterns should be established to better reward existing teachers for upgrading their skills and for excellent performance.

3. Greater professionalism among teachers should be promoted, and the pool of qualified teachers should be broadened. It is essential to maintain teacher commitment and intellectual stimulation. In planning their curriculums, schools should focus on how schedules, courses, retraining, and enrichment opportunities can be incentives for teachers to continue in the profession. Expanded opportunities for teachers to help new recruits, to implement staff development plans, and to ensure ongoing professional renewal are also important. Furthermore, the United States should broaden its pool of qualified teachers. In 1981, only 1,400 bachelor's degrees were granted in mathematics and science education, but in 1982, some 18,000 mathematics and science teachers left their positions. In order to make up for this shortfall, competent retirees from other professional fields should be encouraged to enter teaching, and programs, such as the Talented Teachers Act, should be established to provide capable college and graduate students with financial assistance in exchange for a commitment to teach for a certain number of years after graduation.

4. Student standards should be upgraded. Educational standards in many areas of our school system deserve attention. Stricter high school graduation requirements in academic subjects are necessary. Fair and objective testing that correlates grade completion with educational content is needed. Homework assignments should be increased. Tougher requirements for student discipline that create a better learning environment should be put in place, including the transfer of disruptive students to alternative settings until they are capable of returning to regular classrooms. And curriculum review and renewal to ensure use of the best materials and updated information, especially in areas like science, mathematics, and computer education, should be established. Many students fail to fulfill their potential because they do not see any link between education and jobs. In order to overcome this attitude, schools should explore ways to link work-study and other placement programs to academic achievement. It is important that high school dropouts are not overlooked, especially since the dropout rate may increase if student standards are tightened. These young people often fall through the cracks between school and employer-sponsored training and education programs. Special programs for high school dropouts, sponsored by schools, businesses, or outside agencies, should be developed.

TRAINING AND RETRAINING

The swiftly changing work environment occasioned by the need for companies to remain competitive means that workers will regularly have to acquire new skills. Training and retraining are the keys to this process. Because workers must be prepared to perform new and different tasks, training should be an integral part of business operations, rather than the first thing to be cut during times of economic difficulty. Training is essential for both young people just entering the work force and older workers. Each group requires a different type of instruction, and there is an especially urgent need to improve adult education and training. Individual employees, companies, and the society at large all have a vested interest in a highly trained work force, and each must bear part of the responsibility.

Recommendations

1. The government should remove disincentives to training and retraining and actively encourage companies to train workers. States that have not already done so should make provisions for displaced workers to enter useful training programs without losing their unemployment benefits. Tax laws should be reformed on a permanent basis to help workers train in new skills so that they can be more productive and better make job transitions. The government should not tax individuals for employer-paid education and training bene-

fits. Furthermore, we should strengthen apprenticeship programs that link education with on-the-job training. Publicly funded training programs should focus on jobs in demand and should have a strong emphasis on placement. Government should consult with prospective employers to make sure that training programs are pertinent and should involve companies so that they will be more likely to recruit employees from these programs. The Jobs Training Partnership Act is a step in the right direction.

2. Training programs should emphasize both process and substance. While acquiring new substantive skills is important, many critical lessons relate to goal setting and other work-related processes. Workers should be trained to improve their adaptability, to strive for excellence, to set priorities, and to work well with others.

3. In the absence of identifiable, desirable job opportunities, employers and workers should focus on improving basic learning skills, since it is the ability to read, write, and reason clearly that allows workers to acquire new skills when opportunities do arise. Training works best when it is conducted in the context of a job and focuses on specific job skills and positions that the trainee regards as both desirable and attainable. By insuring that basic

job-related skills are kept sharp, training programs can help workers position themselves for new jobs, even when the precise requirements of these jobs are uncertain.

RECASTING LABOR-MANAGEMENT RELATIONS

In some instances in recent years, labor and management have begun to move away from the adversarial relationship that predominated during much of the postwar era and to work together more closely. It is essential that they extend this cooperation, recognize each other's legitimate aspirations, and build on common interests.

Recommendations

1. Corporate planning must accept a responsibility for the efficient and humane utilization of its human resources as well as for the competitive use of its capital. Unions can be expected to cooperate more with management to achieve a more competitive enterprise if management accepts a responsibility for the employment security of the work force. Gain-sharing programs may be useful vehicles to allow workers to share in economic gains in areas where they are directly responsible for improvements, such as quality and productivity.

2. Management must accept the legitimacy of the union as an institution when a labor organization has been chosen by a majority of the workers in an appropriate unit as the

collective-bargaining representative. Cooperation between two parties is not possible over time without mutual acceptance of and respect for each other's role.

3. Unions representing workers in an enterprise must recognize the need for that organization to successfully compete in the marketplace. A cooperative relationship cannot be maintained with management if the economic requirements of a business are not respected by the workers' representatives and accepted as requirements for achieving worker as well as employer goals.

4. Worker participation programs should be implemented as a means of improving competitiveness and the quality of work life. In order to be effective, worker participation programs must be voluntary, long-term efforts that involve management, unions, and workers as equal partners from planning through implementation and evaluation. Furthermore, they must recognize the need for training and employment security and must focus on improving product quality and the work environment.[5]

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[5]For a thorough discussion of productivity and worker participation programs, see The Productivity Problem: U.S. Labor-Management Relations (1983), Economic Policy Council, UNA-USA.

THE PREMIUM ON FLEXIBILITY

In order to cope with rapid work transitions in an uncertain economic setting, workers and companies should strive to increase their flexibility. Flexibility is not the same as mobility. Flexibility can be broadly defined as the ability to respond and conform to economic changes that affect the competitive environment. Those who adjust quickly will do well, but those who do not will fall behind. Many companies, especially in Japan and increasingly in Europe, rely on a work force that consists of a core of full-time, skilled, career-oriented employees and a periphery of part-time employees, temporary workers, and subcontractors. This arrangement increases the flexibility and security of the core work force, but at the cost of secondary workers who have to absorb economic shocks. Such a system can add to economic stability and the competitiveness of the corporation, but at the expense of part-time and temporary workers who typically do not receive many fringe benefits. In the drive for greater flexibility, we should pay special attention to those on the periphery of the work force who hold casual jobs with little stability, social protection, or career prospects. Some people hold these jobs by choice and are content to move from one temporary job to the next through the growing network of temporary agencies. However, many others hold these jobs because they are unable to find permanent, full-time employment. This latter group could

have difficulty making the transition to better jobs later on and could come to constitute a new and disadvantaged second tier of the work force.

Recommendations

1. Firms should adopt temporary buffer systems as a means of increasing flexibility during cyclical downturns. Hiring freezes, elimination of extensive overtime, moving all available work in-house, shifting employees to nontraditional jobs, and using temporary or contract workers may be parts of this buffer system. Buffer systems have a limited role in industries facing structural decline, but can be highly successful in companies facing temporary setbacks. A key to their effectiveness is to make every effort to integrate temporary workers into the core work force.

2. States should pass legislation to allow companies to establish short-time unemployment compensation. Short-time unemployment compensation allows individual firms to reduce the work schedule of their overall work force rather than to lay off a few workers altogether. It is a good short-term response to cyclical downturns, since the unemployment compensation that would normally go to the few laid-off workers is distributed over the entire work force. Short-time unemployment compensation should be voluntary for companies and unions and should not substitute for other

private- and public-adjustment policies. California, Arizona, Florida, Illinois, Oregon, Washington, and Maryland have already passed legislation for short-time employment compensation, and approximately one-fifth of all collective-bargaining agreements contain provisions dealing with shorter workweeks to cope with the prospect of unemployment. The federal government should continue to study the effects of short-time unemployment compensation in those states where it has been enacted and should encourage those states that have not done so to pass legislation providing for short-time unemployment compensation.

JOB CREATION

Despite the number of new jobs that have been created in the United States over the past decade, three recessions and wrenching structural changes have destroyed hundreds of thousands of jobs. The country has emerged from each recession with more people employed than before, but also with a higher unemployment rate than in the previous recovery. We must do more to provide job opportunities for the millions of Americans who remain out of work. It was not the intention of this panel to explore the issues of macroeconomic policy and job creation in depth, but to focus on targeted jobs measures. However, there is a consensus that, by themselves, programs that ease work transitions, improve training and education, establish more cooperative labor-management relations, and enhance flexibility cannot

accomplish the major economic task of getting the unemployed back to work or providing jobs for young people. That task is in large part a macroeconomic matter, and the US government has a critical role to play in that process. It must establish a stable and expanding economy that allows business to create new jobs, and it should also explore ways to help promote temporary employment during cyclical downturns in order to help the unemployed reenter the work force.

Recommendations

1. The greatest contribution that the US government can make to job creation is to provide an economic setting that fosters steady growth. [6] Large budget deficits, high real US interest rates, and the inflated foreign exchange value of the dollar are not often thought of in terms of labor-market policies, but they have a tremendous impact on US employment and human resources. Unless we improve our macroeconomic management, it will be difficult to resolve our jobs problems.

2. Well-designed public jobs programs, which are cost-effective in terms of the jobs they create, should be established during cyclical downturns to provide temporary employment and a bridge to permanent jobs. Workers at all

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[6] See The Need For U.S. Industrial Objectives (1981), Economic Policy Council, UNA-USA.

levels of employment and in all sectors should be helped to make necessary adjustments. There is a pressing need both to rebuild US infrastructure and to provide more services to the American public. Jobs programs, when necessary, should focus on both these needs and should be structured so that they help the unemployed make the transition to permanent employment in the private sector.

INTRODUCTION

The underlying trends that are shaping the new profile of labor markets have been well known for some time. Almost any casual observer can readily run through the litany: the internationalization of markets and production, rapid technological change, the shift to services, the uncertain macroeconomic environment, and demographic changes. All these trends have been present in varying degrees for the last two decades. However, it was not until the deep recession of 1981 and 1982 and the subsequent recovery that their full impact began to be recognized.

Although the transitions taking place in US labor markets have not been wholly unanticipated, they are forcing a fundamental restructuring of US labor practices. Both managers and workers are finding that they must reevaluate their relationship in order to improve their flexibility and their ability to adapt to change. As Douglas A. Fraser, president emeritus of the International Union-United Automobile Workers, stated:

> Change in technology and other areas is absolutely inevitable, and the question is how to do it in a humane and civilized manner. If we can find a way to address this problem and make adjustment less painful and not put the whole burden on the working people, then we can make the transitions that we must make. (Comments before the EPC Jobs Panel, May 4, 1984.)

Perhaps the most important result of economic change and labor-force shifts is the increased premium on human capital. Our nation's economic future will depend to a large extent on how well we are able to develop and utilize our human capital resources. To quote John H. Filer, former chairman of Aetna Life & Casualty Company:

> The resource that will most clearly distinguish us from others over time is our people. Their education, training, motivation, resourcefulness, mobility, flexibility, and sense of well-being and achievement will determine our relative success as a nation and our opportunities for success as individuals and business and professional people. (Paper presented to the EPC Jobs Panel, November 1984.)

Traditional policies and labor-market practices are increasingly unable to accommodate the needs of today's work force. Ray Marshall, Bernard Rapoport Professor of Economics and Public Affairs, University of Texas at Austin, has pointed out that the traditional industrial-relations system was supported by high growth in productivity, output, and real income. As growth became more uneven and change more inevitable, this system became less effective. Today, there is a need for a new industrial-relations system that combines the positive and still-viable features of the old one and that is able to accommodate the new human-resource requirements of the international economy.

The upheaval in the world of work is not a short-term problem that is limited to the United States but a deep-seated phenomenon that is affecting all industrial countries and that promises to persist into the next decade. This

report will assess the impact of these changes. First, we will examine the trends influencing work life in the United States. Second, we will assess the current US jobs profile. Third, we will cast these developments in an international perspective. And finally, we will look at the major policy issues confronting the United States.

CHAPTER I. THE MAJOR TRENDS INFLUENCING US WORK LIFE

The Integration of Global Markets

Growing international competition and the expansion of the US trade sector mean that US companies now face pressure to maintain international standards of competitiveness. Many traditional large US manufacturers and labor-intensive industries have lost jobs to overseas competitors that have benefited from lower wage rates, government subsidization, ready access to technology, and, more recently, the surging value of the dollar. In 1984, the US trade deficit was an unprecedented $123 billion, and it is estimated that since 1980, the widening US trade deficit has cost the American economy two million jobs.

Technology

Technology has expanded the frontiers of the work place, increased the premium on quality education and ongoing training, altered work schedules, influenced labor-management relations, and played a major role in the shift from the production of durable goods to services. It has also accelerated the pace of change, which places a great burden on companies and workers to improve their ability to adjust.

High-technology jobs represent only a fraction of the total US work force -- approximately 3 to 6 million compared to 19 million for manufacturing and 103 million overall

-- but technology is among the fastest growing employers. The US Bureau of Labor Statistics (BLS) has estimated that 3 percent of US jobs can currently be considered "high-tech." Although their number will double over the next decade, by 1992, high-tech employment will still constitute only about 6 percent of the US work force. Many people are concerned that technology will destroy more jobs than it creates. In some industries, technology has replaced manpower, and in others, by greatly enhancing the productivity of individual employees, it has reduced the need for as many workers. Even where no jobs have been lost, technology has changed employment patterns and altered work processes. But technology has also created entire new industries, such as plastics, medical equipment, and electronics, that are major employers.

The Shift to Services

The shift to services has raised two major concerns: first, whether over the coming decade there will be severe job dislocations in such industries as mining, manufacturing, and construction; and second, since wage levels in the services-producing sector are often lower than those in goods-producing industries and skill requirements are quite different, whether factory workers will be able to make the transition to jobs in the service sector.

Just as over the last century agricultural employment shrank relative to industrial employment, the number of workers employed in agriculture and goods production is now shrinking relative to employment in services-producing industries -- broadly defined as transportation, communications, public utilities, trade, finance, insurance, real estate, miscellaneous services (entertainment, health, education), and government. In 1959, 56.5 percent of the US work force was employed in government, transportation, public utilities, trade, finance, insurance, real estate, and other services; by 1982, it had risen to 70.7 percent; and it is projected to rise even higher. By contrast, in 1959, 8.1 percent of the US work force was employed in the farm sector, and 31.6 percent was employed in mining, construction, and manufacturing; but by 1982, only 2.8 percent of the US work force was employed in the farm sector and only 24.9 percent was employed in mining, construction, and manufacturing.[7] These percentages can be misleading, however, since they fail to indicate absolute employment levels. From 1960 to 1980, US employment in the agricultural sector declined by almost two million, but over five million new jobs were created in the industrial sector. Although employment in some US industries will decline over the next decade, Data Resources projects a net increase of 2.5 million manufacturing jobs by 1990.

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[7]See Valerie A. Personick, "The Job Outlook Through 1995: Industry Output and Employment," Monthly Labor Review, November 1983, p. 26.

Macroeconomic Factors

The uncertain macroeconomic setting has also had an important impact on employment patterns in the United States. Floating exchange rates, inflation, increasing international economic linkages, the targeting practices of many of our trading partners, and the deregulation of industry and financial markets have eroded the effectiveness of traditional policies and made economic management more difficult.[8]

Recent macroeconomic developments have had a tremendous impact on labor-management relations. The large layoffs and high unemployment rates of the 1981-82 recession shifted employee concern from automatic wage increases toward employment security; the drop in inflation reduced the importance of automatic cost-of-living adjustments; and massive imports, high US trade deficits, and company decisions to shift US production overseas in order to take advantage of low labor costs increased worker concern with protection from international competition.

Management is also being challenged. Deregulation, the strength of the dollar, and the extremes of economic boom and bust have forced US business to increase its flexibility and to gear up to meet international competition. The trend toward greater labor-management cooperation is especially

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[8]For a complete discussion of these trends, see The Global Repercussions of US Monetary and Fiscal Policy (1984), Economic Policy Council, UNA-USA.

significant. Economic uncertainty, technology, the shift to services, and stiffer competition have all pushed US management to pay more attention to the motivation and performance of their employees. Since management has little power over the broad economic shifts taking place, the best that it can do is to quickly adapt to these changes. And a motivated, committed work force is to an increasing degree the key to adaptability.

American unions are also facing many competitive pressures. The recent recession forced many unions and managers to negotiate wage cuts and reductions in vacation time and prompted workers accustomed to industry-wide bargaining to focus more on the competitiveness of their individual firms. Some of the largest and oldest industrial unions were particularly hard-hit by the 1981-82 recession. Unions have launched extensive organizing drives in service and high-tech industries, and in some sectors, such as health services, these drives are increasingly successful. However, other sectors are often difficult to organize because of the small size of the companies, the resistance of management, and the attitude of the workers. Nonetheless, these organization drives are in many cases pushing companies to adopt a more positive attitude toward the working environment and the quality of work life.

Demographics

Changes in the US demographic profile are also exerting a strong influence on US labor markets. Over the next decade, the US labor force will grow more slowly. Two-thirds of the new entrants will be women, and by 1995, the BLS projects that 60 percent of the women in the United States will be in the labor force. Minority groups will also play a proportionately larger role because the "baby bust" generation will have a higher percentage of minorities than their "baby boom" predecessors.

From 1970 to 1983, the US labor force expanded by one-third, from 84.9 million to 113.2 million, as massive numbers of youths and women entered the working ranks. In 1970, women comprised 38.1 percent of the US work force; in 1980, they made up 42.5 percent; and by 1990, they will account for 45.8 percent. Immigration is also influencing US labor markets. Net US immigration (legal and illegal) now exceeds one million per year, which means that the United States accepts twice as many immigrants and refugees as the rest of the industrialized world combined.

Despite immigration, some analysts believe that the United States, like Japan, is heading toward a labor shortage because of slower labor-force growth. During the 1980's, this shortage will be felt in certain occupations, geographic areas, industries, and groups. Managers, administrators, and craftspersons will be in short supply, and the United States will also witness a shortage of people to fill

unskilled jobs traditionally performed by younger workers because fewer young people will be entering the work force. However, other industries and regions will experience a labor surplus.

The trends described above not only are changing the face of employment but also are shifting the composition of unemployment. From an analytic point of view, three major categories of unemployment can be distinguished: (1) frictional unemployment, or search unemployment, which reflects normal turnover in labor markets operating at optimal capacity utilization; (2) demand-deficient unemployment, which reflects a lack of economic demand for output; and (3) structural unemployment, which is defined as the difference, at normal full-capacity use, between total unemployment and frictional unemployment and which reflects persistent mismatches between the demand for and supply of labor.

There is a growing concern that much of our unemployment is shifting from a cyclical, demand-deficient variety to one that is of a more structural nature, reflecting a persistent mismatch between the supply of and the demand for labor. Structural unemployment presents a different type of challenge to policymakers. If it is allowed to persist, as it has in Britain, it can result in a growing group of chronically unemployed who remain jobless during good times and bad. The Organization for Economic Cooperation and

Development (OECD) has warned that over the next decade there may be a gradual filtering out of preferred workers and a buildup of hard-core unemployment.

CHAPTER II. CURRENT US JOBS PROFILE

The 1981-82 recession exposed US managers and workers to extreme competitive pressures, and the subsequent recovery demonstrated that we cannot easily grow out of our jobs problems. Since the end of the 1981-82 recession, the United States has created over seven million jobs. But US unemployment remains at levels that would have been considered recessionary only a decade ago. Rapid job creation alongside entrenched high unemployment is resulting in new kinds of jobs problems across the United States. US employment and unemployment are unevenly shared across sectors, demographic groups, and regions; and almost one-half of US unemployment at any given time consists of the chronically unemployed.

High Unemployment

Declining demand and intense international competition combined to push US unemployment levels to postwar highs during the recent recession. Unemployment crested in the United States at 10.8 percent in December 1982, and averaged 9.5 percent overall that year. Of those laid off in 1982, 75 percent were blue-collar workers, over half of whom were permanently separated from their jobs; and 16 percent of those laid off were white-collar workers, almost one-third of whom were permanently separated from their

jobs. In 1983, despite the solid US economic recovery, the annual unemployment rate stuck at 9.5 percent, as 10.7 million Americans remained out of work. During 1984, after the recovery had been under way for more than a year, US unemployment still averaged 7.4 percent. Although the 1984 average unemployment rate is a big improvement over the December 1982 level, it remains high by historical standards. And since the aggregate unemployment rate fails to capture those who have dropped out of the labor force or who hold part-time jobs because they cannot find full-time jobs, the real US unemployment rate is even higher.

Despite our current high-unemployment rates, joblessness in the United States remains largely short term. In 1982, the average duration of unemployment was approximately fifteen weeks, and although it increased to about twenty weeks in 1983, it dropped to eighteen-to-nineteen weeks in 1984. These figures attest to the dynamism of the US labor market relative to Western Europe.

Uneven Sectoral Distribution

A sectoral look at the labor market reveals wide disparities between the goods-producing and service sectors, and among various industries within these sectors. Two-thirds of the US work force is now employed in the services-producing industries, and jobs in services have traditionally been more resistant to economic recession than jobs in mining, manufacturing, and construction. Furthermore, in a

recession unemployment is usually concentrated in those companies in the industrial sector that are involved in the production of durable goods. The recent recession was no exception. In 1983, when the overall US unemployment rate averaged 9.5 percent, unemployment averaged 17 percent in mining, 18.4 percent in construction, 12.1 percent in durable-goods manufacturing industries, and 16 percent among agricultural wage and salary workers. By contrast, it averaged only 7.2 percent in the finance and service industries.

Like the recession, the recovery has had an uneven sectoral impact on the US economy. Manufacturing jobs were particularly hard-hit in the recession, and many of these jobs have not been recovered. As Janet L. Norwood, Commissioner of Labor Statistics, US Department of Labor, pointed out:

> The steel industry lost one-third of its jobs in the last recession and has regained virtually none of them in the first twenty-one months of the recovery.... [However,] auto employment has shown considerable strength in the current recovery. More jobs have been added since the end of 1982 than were lost in the last recession. In spite of this strong growth, the number of jobs in the auto industry is still way below the level of 1979. (Remarks before the EPC Jobs Panel, September 14, 1984.)

Employment in the services-producing industries is not only more resistant to recession but is also rapidly growing. Employment in the durable-goods sector is projected

to increase slightly over the next decade, but the rate of growth will be much slower than in services, and some traditionally large industries will actually lose jobs.

Uneven Demographic Distribution

US unemployment is also unevenly distributed among demographic groups. During 1984, the average unemployment rate for adult men, a bench mark, was 6.6 percent and for adult women was 6.8 percent. However, that same year, 14.3 percent of adult black men and 13.5 percent of adult black women were unemployed. Teenagers have it the worst. In 1984, the average US employment rate for white male teenagers was 16.8 percent, and for black male teenagers, a staggering 42.7 percent.

Uneven Regional Distribution

The uneven distribution of jobs is also apparent on a regional level. During the recession of 1981 and 1982, US unemployment was concentrated primarily in the Middle West and the South. Michigan, Illinois, Ohio, West Virginia, Pennsylvania, Mississippi, Alabama, and Louisiana all had unemployment rates well above the national average. On the other hand, the Southwest and New England enjoyed overall rates of unemployment that were lower than the national average. These regions benefited from the rapid expansion of technological industries, the growth of many service industries (which are relatively more resistant to recession),

and the absence of a concentration of the heavy industries that were especially hard-hit during the recession. Although regional job disparities present a particular difficulty in the short term, over the long run they tend to be self-correcting.

CHAPTER III. INTERNATIONAL COMPARISONS

The jobs problems that the United States is experiencing plague all industrial nations to some extent and Western Europe in particular. Unlike the United States and Europe, Japan enjoys very low levels of unemployment. During the 1970's, Japan's average annual unemployment rate was only 1.7 percent, and although unemployment in Japan has increased in recent years, it still remains well below US levels. In 1984, Japan's unemployment rate was only 2.7 percent. Because of Japan's low level of unemployment and the fundamental differences in labor markets in the United States and Japan, we chose to focus our attention on job developments in Western Europe.[9]

Perhaps the most important difference in labor markets in the United States and Western Europe is in the area of job creation. While the United States was busily creating nineteen million new jobs during the 1970's, Western Europe was struggling to stay even. In fact, it ended the decade with a net loss of some two million jobs. From 1970 to 1980, the United States expanded its number of jobs by a healthy 2.2 percent per year, whereas France managed an increase of only 0.4 percent per year, and Britain, of only 0.3 percent. West Germany actually had an annual decline of 0.4 percent

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[9]For a more thorough discussion of Japanese labor markets and management practices, see The Productivity Problem: U.S. Labor-Management Relations (1983), Economic Policy Council, UNA-USA.

per year. (See Table 1.) However, unlike the United States, Western Europe did not experience a sharp drop in real wages during this period, and average unemployment rates were less than those in the United States.

The rigidity of European labor markets stems from more than a simple mismatch of supply and demand. Part of the blame lies with European management and the effort to shield Europe from global competitive pressures. Furthermore, some European government-based support and protective systems designed to ensure freedom from risk and a larger degree of equity have served to undermine Europe's economic flexibility. (This is not to imply that good social policy and good economic policy are inconsistent or that all social policy is anticompetitive.) Real wage rigidity added to the problem by squeezing European profits during the 1970's and by inhibiting investment. Wage rigidity also distorted the relative price of labor and capital, thereby encouraging capital-intensive investment and leading to what Europeans refer to as "jobless growth." In the United States, by contrast, real wages declined during the 1970's and thereby encouraged labor substitution for capital.

TABLE 1

INTERNATIONAL LABOR MARKET TRENDS, 1970-80

Percent

	Employment Growth* Average Annual Increase	Labor Force Growth* Average Annual Increase	Unemployment Rate* Average Rate
United States	2.2	2.4	6.3
Sweden	0.9	1.0	2.0
Japan	0.8	0.9	1.7
Italy	0.5	0.8	3.7
France+	0.4	0.8	4.0
United Kingdom	0.3	0.4	4.6
West Germany	-0.4	-0.2	2.4
Canada	3.0	3.2	6.9

*Adjusted by the BLS to U.S. standards and concepts.
+1970-79
Sources: Bureau of Labor Statistics; Organization for Economic Cooperation and Development.
Reprinted in N.Y. Stock Exchange, U.S. Economic Performance in a Global Perspective, 1981, pg. 43.

Sluggish growth in job creation in Western Europe has meant that new entrants into the labor market have had difficulty finding employment. Like the United States, Europe experienced a gradual but steady rise in its unemployment rates during the 1970's. The US average annual unemployment rate for that decade was 1.5 percentage points higher than the 1960's average, and similar increases were posted by France (2.1 percentage points), Britain (1.9 percentage points) and West Germany (1.7 percentage points). (See Tables 2 and 3.) However, there were very different reasons for these rising unemployment rates. The rise in the United States stemmed from the massive influx into the labor force of women and young workers, who overwhelmed the surge in new jobs that were created. Europe did not experience as rapid an increase in its labor force, but neither did it create many new jobs.

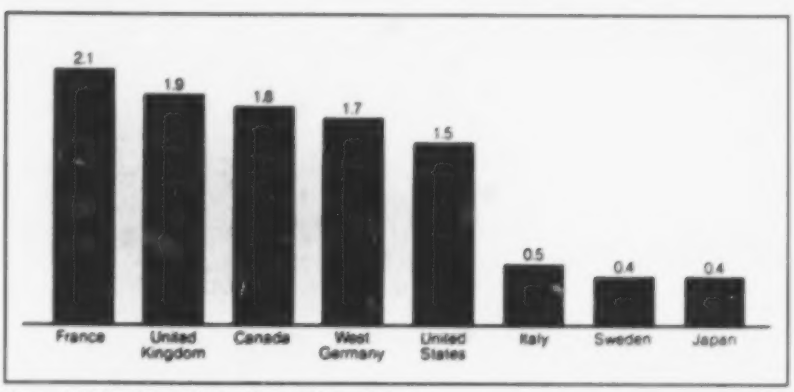
TABLE 2

INTERNATIONAL COMPARISON OF UNEMPLOYMENT RATES,*
1960-70 and 1970-80

Percent	1960-70	1970-80
Japan	1.3	1.7
Sweden	1.6	2.0
West Germany	0.7	2.4
Italy	3.2	3.7
France	1.9	4.0
United Kingdom	2.7	4.6
United States	4.8	6.3
Canada	5.1	6.9
Weighted Average	2.7	4.0

*Adjusted to U.S. concepts and definitions.
Source: U.S. Bureau of Labor Statistics
Reprinted in N.Y. Stock Exchange, U.S. Economic Performance in a Global Perspective, 1981, pg. 45.

Table 3
Percentage Point Increases in Average Unemployment Rates in Eight Countries, 1970–80 vs. 1960–70



Source: U.S. Department of Labor, Bureau of Labor Statistics.
Reprinted in N.Y. Stock Exchange, *U.S. Economic Performance in a Global Perspective*, 1981, pg. 45.

Like unemployment in the United States, Western Europe's unemployment was further aggravated by the recession of 1981 and 1982. During 1982, unemployment averaged 13.25 percent in Britain, 9.75 percent in France and Italy, and 8.5 percent in West Germany, as West European countries that are members of the Organization for Economic Cooperation and Development experienced an average unemployment rate of 9.5 percent. Unlike the United States, however, Europe did not fare so well during the recent recovery. From 1982 (when the recession had actually pushed the number of US jobs below their 1980 level) to 1985 (when the full impact of the recovery was being felt), the United States added over seven million jobs. This job growth coincided with a reduced flow of women and young workers into the labor force. As a result, US unemployment declined from over 10 percent in late 1982 to just over 7 percent in early 1985.

Europe's performance was quite different. West European countries created almost no new jobs during this period and are experiencing a delayed demographic push of many women and young people into the labor force. As a result, European unemployment has remained quite high, and Europe has sent much of its foreign work force home. During 1984, average OECD European unemployment rose to 11 percent -- over three percentage points above the declining unemployment rate of the United States.

The unemployed in Europe are much more likely to stay that way than are those in the United States because a significantly larger component of European unemployment is structural. As Sylvia Ostry, Canadian Ambassador for Multilateral Trade Negotiations and Personnel, pointed out:

> The contrast between Europe and North America is startling. In the United States, the long-term proportion of total unemployment rose from 3.3 percent in 1973 to 7.7 percent in 1982 and is projected to decline as unemployment falls. In Canada, the comparable figures were about 2 percent and just over 5 percent. In a number of European countries, the long duration component has risen steadily over the decade and now forms as much as one-fifth to one-half of total unemployment. (Remarks before the EPC Jobs Panel, December 20, 1983.)

This means that there are many unemployed workers in Europe who are unable to find any type of work. The job outlook in Britain, where virtually a generation of young workers have had and expect no real job experience, is particularly discouraging.

While the European economic model worked very well during a period of rapid growth along established channels, it contains severe rigidities that make it much less suitable for today's uncertain economic environment. Raymond Vernon, Clarence Dillon Professor of International Affairs at the Center for International Affairs at Harvard University, has emphasized that the trend toward reprivatization in Britain and the move away from nationalization in France represent a recognition of the fact that it is important to build more flexibility into economic management. At least for the time being, the social democratic approach to

managing the economy by nationalizing key industries is being called into question. While this reversal may not be permanent, it demonstrates a fundamental change in West European economic management in the short run. (Comments to the EPC Jobs Panel, December 31, 1984.)

European Labor-Management Relations

Slow economic growth, the inability to create new jobs, lagging competitiveness, and labor-market rigidities have all made European labor-management relations more confrontational. In recent years, labor and management across Europe have clashed on many different issues: the employee fund in Sweden, the displacement of steelworkers in France, the IG Metal strike in West Germany, and the miners' strike in Britain. These protest actions have taken place against the backdrop of various kinds of change, modernization, and, most importantly, high unemployment. As John Lloyd, industrial editor of The Financial Times of London, pointed out, for labor, the results have been disappointing:

> As the recession began and the very large layoffs came down the pipeline, workers tended to protest in the traditional way. They struck against plant closures and so on, only to find (as in the very obvious case of the state-owned British car company, BL) that much of the industrial power they assumed they still had, had been cut from beneath them because business, managements, or (in the case of BL) the government, didn't care too much if the plant was shut down because they didn't need the capacity anyway. They couldn't sell the cars. Then workers began to acquiesce to closures, especially where, as in the steel industry and in the coal industry, they got large redundancy checks. Some found other jobs; a few tried adventurous things like starting their own companies or forming cooperative ventures with other

> workers; and many stayed unemployed. In some cases, like the German metal workers, they adopted old forms of industrial protest for new ends. In real life, of course, these reactions aren't neatly phased. Acquiescence by some workers continues at the same time as others still try to protest against change. Increasingly, however, in Europe the lesson has become clear that organized labor doesn't hold too many good cards in such battles. (Remarks before the EPC Jobs Panel, May 4, 1984.)

As government, business, and labor have increasingly been unable to agree on the pace or direction of change, organized labor in Europe has found itself in a difficult position. Weakened by recession, faced with the erosion of traditional measures of resistance, and recognizing that the option of extensive protectionism does not hold much promise, labor has had to acquiesce in large degree to the new consensus forming around the concept of flexibility. Wages, skills, working time, and capital are all being forced into a more flexible framework, and one of the most pervasive threads in European labor markets is the encouragement of cooperative structures at the company level.

This flexible framework is meant to enhance competitiveness and will benefit many core workers who enjoy employment security and who can regularly upgrade their skills. However, for many workers on the periphery of the labor market, it will mean that work is less of a lifetime career than a matter of dropping into and out of the labor market when the opportunity arises. As a result, many unskilled and semiskilled workers will increasingly perceive themselves as victims of change rather than as actors in it.

CHAPTER IV. POLICY AREAS

Job Creation

One of the major economic challenges facing the United States is the need to generate new jobs. The US has an unsurpassed record of job creation over the past two decades, but despite the creation of massive numbers of new jobs, unemployment levels have increased with each successive business cycle. Whether we will be able to resolve our jobs problems will depend in large part on our ability to create enough jobs to stem the rise in our unemployment levels.

During the 1960's, US unemployment averaged 4.8 percent; during the 1970's, it averaged 6.3 percent; and during the 1980's, it has averaged between 7 percent and 9.5 percent. Today's unemployment rates are thus part of a general trend that has persisted over the last two decades. The reason for the rise in the US unemployment rate is the dramatic increase in the size of the US labor force. During the 1970's, the average increase in civilian employment grew by 2.2 percent per year. However, the US labor force grew by 2.4 percent per year, primarily as a result of the entry of women and the baby-boom generation into the work force. As a result, US unemployment rates edged upward in spite of the explosion of new jobs.

The ability of the US economy to create enough new jobs in the future is an issue of some debate. On one side are those who believe that labor-saving technology and international competition will result in a chronic job shortage; on the other side are those who believe that the US economy will continue to create enough jobs and, indeed, that the United States will suffer from a labor shortage as the number of new entrants into the labor force tapers off. The question of whether the United States can continue to create enough new jobs in the future is complicated by the fact that in recent years the process of US job creation has been funded by deficit financing in foreign investment. There is also evidence which suggests that companies where workers have ownership rights, such as Employee Stock Ownership Programs (ESOPs), are a powerful agent in creating new jobs.[10]

The argument that the United States is facing a long-term job shortage is often associated with Nobel laureate Wassily Leontief, director of the Institute for Economic Analysis at New York University. Leontief believes that the technological revolution poses a fundamentally different kind of challenge to the US work force than the industrial revolution. Since technology not only can improve industrial processes and replace physical labor but also can carry out ordinary mental functions, over the long run it

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[10]See The Productivity Problem: U.S. Labor-Management Relations (1983), Economic Policy Council, UNA-USA.

will progressively diminish labor's role as an indispensable factor of production. Leontief is convinced that it will have a particularly large impact on middle managers.

> One interesting effect of computerization is that the role of middle management -- not the top, but middle management -- as a group will diminish. The reason for this is that middle managers shuffle papers -- they do not make decisions -- and computers can shuffle papers, retrieve information, sort it, and pass it on to whoever needs it much more efficiently. (Remarks before the EPC Jobs Panel, May 4, 1984.)

As a result of all of these changes, Leontief believes that technology will ultimately reduce rather than expand job opportunities. This forecast is at odds with US Bureau of Labor Statistics near-term projections. The BLS projects that by 1995, the United States will add more than twenty-five million new jobs over the 1982 level. Employment in the goods-producing sector is projected to increase by 6.5 million and in the services-producing sector by 18.7 million. Implicit in these projections is the belief that technology will lead to many new jobs and services rather than to a net reduction. However, it should be noted that although employment in high-technology companies will grow relatively faster than employment in the rest of the economy, according to BLS projections it will remain a small fraction of total US employment by 1995. The BLS does not project an aggregate US labor shortage by 1995, but it does project labor shortages in certain job categories.

Panel Perspectives

Panel members held different views about the ability of the US economy to create enough jobs over the coming decade. Many unions are in general agreement with the argument of Leontief. They are concerned that increased trade and the widespread use of technology and robots will displace many existing jobs, and question whether enough new jobs will be created to supplant those that are being displaced, especially in the manufacturing sector. As Markley Roberts, a senior economist with the AFL-CIO, pointed out, the United States currently has an aggregate labor surplus, which if aggravated by trade and technology, could mean that the United States will enter the 1990's with four to six million workers as a permanent labor-surplus underclass, much as is the case in Europe. (Paper prepared for the EPC Jobs Panel, July 1984.)

Some union leaders are concerned that the pace of change is simply too rapid. As Howard Samuel, president of the Industrial Union Department, AFL-CIO, stated, "While it is important to recognize the changes taking place in the labor market and the need to adapt to these changes, we must not simply accept unbridled change. One of the answers might be to slow down the pace of change and to reexamine some key issues, such as deregulation." (Remarks before the EPC Jobs Panel, December 13, 1983.)

When coming to terms with the policy implications of whether enough jobs will be created, unions concur with Leontief that it is critical to keep in mind the importance of income distribution. If technology (capital) displaces labor in the production process, labor's share of national income will decline, while that earned from capital and its remuneration will grow. This means that a larger part of national income will be determined by something that is very unequally shared (ownership of capital) as opposed to something that is more equally shared (labor income). Jay H. Foreman, vice president of United Food & Commercial Workers Union, AFL-CIO, has stated:

> If we have unfair and unequal income distribution, reaction to change will be strong. And I think that's the direction we are headed for if we don't begin to develop some humane approaches to changes in technology. By humane approaches, I mean things like equitable distribution of income and easing the burden of change. People will not change as rapidly as managers can manipulate new capital. They simply can't, and they won't. (Remarks before the EPC Jobs Panel, May 4, 1984.)

Organized labor also concurs with Leontief that a shorter workweek is part of the solution to our jobs problems. Unions and many workers argue that this would help create more jobs and, if wage levels were maintained, would also help solve the problem of income distribution. However, organized labor differs with Leontief in its commitment to full employment. Leontief believes that a full-employment policy with existing institutions puts undue strains on macroeconomic management and would hurt US competitiveness. Organized labor, on the other hand, regards national

economic policies aimed at full employment that are in line with the mandate of the Humphrey-Hawkins Full Employment and Economic Growth Act of 1978 as a key to any solution of our jobs problems. Others, including many in the academic community, question whether a full-employment policy is still possible at the national level given the extensive interaction among different national economies and the lack of any internationally coordinated monetary and fiscal policy.

Many representatives from the business community have a more sanguine outlook about the ability of the US economy to create enough jobs. They point to the US job-creating dynamic over the past two decades and to the fact that five million jobs have been added since the 1983 recovery began. Although they recognize that increased trade and technology will mean the elimination of some jobs, especially in manufacturing, these trends will also mean the creation of many new jobs. Those who share this perspective regard our labor-market problem more as one of worker transition from one industry to the next than as a net lack of jobs. As Pat Choate, director of policy analysis, TRW, Inc., stated:

> In many ways, work in American manufacturing seems pointed in the direction of American mining and agriculture: that is, more and better technology, greater productivity, and fewer workers. The challenge, then, is to assist existing workers in becoming proficient in the new technology and to help displaced workers make a smooth reentry into the work force. At the same time, the introduction of new technology will create jobs in the design, manufacturing, installation, and servicing of these new machines and processes. More important, the rapid introduction of new technology will insure the longer-term competitiveness of

> most American industries and provide the economic base needed to ensure that new jobs are created in nonmanufacturing industries. In the final analysis, what America requires is more, rather than less, technology and at a faster pace. (Remarks before the EPC Jobs Panel, May 4, 1984.)

Many managers also question the wisdom of shortening the workweek. They do not agree that a shorter workweek will result in the creation of new jobs, but fear that it will increase administration costs and problems and be detrimental to US competitiveness.

The Quality of Jobs

The quality of jobs that will be available in the future is a source of continuing concern. Many fear that American and European labor markets are moving toward a two-tier labor force polarized between a small core of skilled, well-paid workers who enjoy employment security and a large secondary group of unskilled, poorly paid workers who lack any form of employment security. Others are more sanguine about the quality of jobs and work life in the United States.

Panel Perspectives

One view, which is supported by many labor representatives, is that many of the new jobs that will be created will be low-wage, low-skilled positions in the service sectors, while many of the jobs that will be lost will be the traditionally higher-paying, skilled jobs in the manufacturing sector. They fear that this shift could result in

a general downgrading of jobs and that technology could intensify this trend. Those who share this perspective point to the fact that while 165,000 steel-making jobs were lost from 1980 to 1984, the largest number of new jobs that will be created during the remainder of the decade are expected to be in relatively low-paying and low-skilled professions, such as nurses aides and orderlies (500,000), janitors (501,000), and sales clerks (479,000).

This view is not shared by everyone. Although employment in technological firms remains small in absolute numbers, it is among the most rapidly growing, and BLS projections point to a net increase of jobs in the goods-producing sector as well. Furthermore, since the number of American families with two wage earners is increasing, median family income may in fact increase.

Sylvia Ostry and John Lloyd have given a second explanation for the emergence of a two-tier work force. Such a labor-market profile is already evident in Japan and is being recognized in Western Europe. In Europe, sluggish growth and an uncertain macroeconomic environment have forced companies to shrink their labor forces and to rely on outside suppliers in order to cut costs and to maximize flexibility. While this allows companies to meet their core employees' demands for employment security, it also creates a secondary group of workers who enjoy few benefits and must bear the brunt of recessions.

The Drive for Greater Flexibility

One of the overriding concerns of both workers and businesses in today's competitive environment is flexibility -- flexibility to adapt to technological change, global competition, and macroeconomic uncertainty. The concept of flexibility applies to skills, mobility, wages, benefits, and working time.

Research at the Institute of Manpower Studies at Sussex University indicates that companies are looking for three different kinds of flexibility: functional, which allows them to redeploy employees quickly; numerical, which enables them to vary the number of people they employ and to meet short-term changes in demand; and financial, which allows them to hire and discharge labor as inexpensively as possible.

The model for a flexible company separates employees into two different groups: the core and the periphery. Managers, marketing personnel, technicians, and other skilled employees with career opportunities are found in the core. They enjoy a certain amount of employment security and in exchange are expected to learn new skills, switch to different jobs if necessary, and move from one plant to another. Workers in the periphery include full-time workers who perform routine tasks, part-time workers, and workers from supplier industries. Skill levels in the periphery are generally lower than those in the core, and career oppor-

tunities are limited. Workers in the periphery often do not enjoy as much employment security, training, or benefits as workers in the core.

One of the most important developments in the effort to maximize flexibility is the increased use of temporary and part-time workers. The OECD has called the increase in the use of part-time workers one of the most important structural shifts in the industrial world's labor markets. The proportion of part-time workers has increased in all twenty-four OECD countries over the last decade, and in the United States it is now over 14 percent. There are many reasons for the increase in part-time work. Technology and the growth of services have increased the flexibility of the work place, and for two-wage families, part-time work affords a means of balancing work with their personal life. For companies, part-time workers provide a means of controlling the cost of benefits and matching their work force more closely with fluctuating demand.

Despite their convenience and cost-cutting advantages, however, flexible labor arrangements pose many problems. The emergence of casual jobs with little stability, social protection, or career prospects implies a long-term risk: many workers need the income from a full-time job, and those who accept casual and part-time work will find it difficult to make the transition to better jobs. This is a particularly serious problem for women, young people, and minorities, who must often accept any job just to get into the

labor market. By accepting low-status, low-paying jobs that provide little serious, continuous work experience and no training, workers can reduce their chances of being absorbed into more skilled jobs later on.[11] This problem points up the fact that some of the measures meant to increase the flexibility of the individual firm may have a negative impact on the overall macro-performance of the economy.

Panel Perspectives

Both management and labor are increasingly recognizing the need to improve flexibility in order to cope with rapid change and increased competition. As James Burge, Motorola's vice president and director of personnel, US, noted, Motorola has created a series of buffers in order to adjust to fluctuating business conditions. Hiring freezes, the elimination of overtime, transferring work from outside vendors to in-house workers, and employing temporary or contract workers are all part of the company's buffer system. If these steps are taken and there is still an excess of regular employees, the company considers work-sharing. Work-sharing reduces the hours of the entire work force and helps spread a firm's available work among its employees during cutbacks of its production of goods and services. To quote Burge:

> Work-sharing is an effective means of combating unemployment and providing employment security. It provides an alternative to layoffs and can lessen the social and financial destitution

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[11] For a thorough discussion, see The Challenge of Unemployment, (Paris: OECD, 1982).

> that is often experienced by those who lose their jobs. (Remarks before the EPC Jobs Panel, December 5, 1984.)

When work-sharing is supplemented by partial unemployment insurance payments, it is called short-time unemployment compensation. This is a voluntary program for companies and unions, which is not intended to substitute for other private and public policies for coping with economic downturns.

Short-time unemployment work compensation is gaining headway in many states. California, Arizona, Florida, Illinois, Oregon, Washington, and Maryland have already passed legislation for short-time unemployment work compensation, and approximately one-fifth of all collective-bargaining agreements contain provisions dealing with shorter workweeks to cope with the prospect of unemployment. Unions are especially concerned that adequate safeguards are built into this program.

Many workers, trade unions, and governments are also concerned that in the drive for flexibility, contract, temporary, and part-time workers will be treated as second-class citizens in times of falling demand or recession. As a result of these concerns, firms are being urged to integrate part-time and temporary workers into programs that offer some form of employment security for those flexible enough to assume full-time jobs, learn new skills, and switch roles when necessary.

For their part, workers are also trying to increase their flexibility. They are increasingly recognizing the need to learn new skills and to perform a variety of jobs within a company. In response, they are demanding greater flexibility in the location and time frame of their work. As Thomas A. Vanderslice, president and CEO of Apollo Computer Inc., stated:

> The decision of where to build a new plant is largely determined by where the work force wants to be located. The Sunbelt, for example, presents a more attractive life-style to many technocrats than traditional industrial centers in the Midwest. Many companies are much more likely to build a new plant in Phoenix than in Chicago because that's where their work force would rather live. (Remarks before the EPC Jobs Panel, September 14, 1984.)

Workers are also requesting greater employment security and career mobility in exchange for their willingness to assume manifold responsibilities.

Labor-Management Relations

Changes in the work environment have significantly altered US labor-management relations. In the one-fifth of the US labor force that is unionized, many traditional arrangements and protest mechanisms are being reevaluated and new patterns are being introduced. American management and labor in both union and nonunion firms are realizing that increased cooperation is essential to improving competitiveness and to easing jobs problems.

During most of the postwar period, US industrial relations systems proved relatively stable because high rates of economic growth and productivity made it possible to improve profits and at the same time to increase wages and provide some implicit employment security. As Malcolm Lovell, visiting professor at the School of Government and Business at George Washngton University, noted:

> Industry and pattern bargaining were successful in keeping the labor cost of major competitors within reasonably similar ranges. The dominant position of American companies in world markets permitted wage levels to rise without sacrificing competitive position. Labor's demands for a higher standard of living were met, and job security for the vast majority of workers was not threatened. Management was able to provide these benefits for the workers without sacrificing profits or conceding to unions any substantial portion of the management function. (Remarks before the EPC Jobs Panel, December 20, 1983.)

In recent years, international competition, macroeconomic pressures, declining productivity, and technological change have eroded this framework. Whereas stable, high-productivity growth permitted collective bargaining to focus on how to share gains and equity rather than on how to share losses, improve efficiency, and increase flexibility, today there is a need to share both gains and the burdens imposed by losses.

Management and labor in union and nonunion enterprises are increasingly recognizing that genuine cooperation can help US companies and workers adapt to the new economic setting. However, the necessary cooperation will not be easy to achieve. Lovell has identified three impediments to

the restructuring of the US labor-management relationship: (1) lack of union responsiveness to the success of the enterprise; (2) lack of company responsiveness to the job security of its workers; and (3) disagreement over the rules affecting the rights of employers, employees, and unions in representation elections.

The indifference of many unions to the success of their companies makes management reluctant to accept the union as a legitimate partner in the enterprise. Although labor and management have already negotiated on an industry or company level in many instances, if unions and workers are to assume greater responsibility for the performance of their company, they must have a direct stake in the company's bottom line.

The indifference of many companies to the job security of their workers, in turn, blocks worker identification with company performance. As long as managers regard labor as a variable cost and fail to take into account its legitimate needs and aspirations, it will be difficult for workers to identify with the success of their company. If workers are to regard the long-term economic health of their company as more important than immediate increases in wages and benefits, employers must accept greater responsibility for the employment security of their work force.

Disagreement over the rules affecting employers, employees, and unions in representation elections is a source of particular concern. Although both parties should respect

the right of workers to organize and bargain collectively, the mistrust and suspicion surrounding US labor-management relations and US labor law administration are major impediments to a more constructive, cooperative labor-management dialogue. Both organized labor and management should be aware of the need for a less adversarial relationship.

Worker participation programs are perhaps the best example of the efforts of management and labor -- both union and nonunion -- to forge a more cooperative relationship. Whereas some early worker participation programs failed to fully involve employees in the exchange of information and decision making, some subsequent programs have succeeded in promoting genuine cooperation. In its study, The Productivity Problem: U.S. Labor-Management Relations, the Economic Policy Council outlined several ways that companies can improve worker participation programs and thereby enhance the efficiency of the firm. The following are among the most important: employees (and in the case of a union, the union's leadership as well as its rank and file) must be involved in worker participation programs from the outset; employee-involvement programs must be genuine and adopted as a long-term commitment; worker participation programs must first focus on workers' needs and product quality and must not be disguised "speed up" programs designed solely to increase productivity; worker participation programs must be voluntary; managers must continue to move from an authoritarian to a more participative style of management; ade-

quate training and education programs are essential to the success of worker participation programs; where unions represent workers, unions must be involved as an equal partner from planning through implementation and evaluation; worker participation programs must make every effort to ensure employment security; and incentives to be productive must be built into worker participation progams.

Panel Perspectives

Unions remain concerned with management's resistance to attempts to organize firms. Although organized labor recognizes the need for greater cooperation, it fears that workers will be treated as a senior partner in business failure, but only as a junior partner in success. Unions believe that more progress should be made on worker concerns with employment security, increased international competition, foreign investment, out-sourcing, and the need to help workers make job transitions. American unions have a record of flexibility and cooperation that far surpasses their European counterparts, but fear that their efforts go largely unnoticed. As Jack Sheinkman, secretary-treasurer of the Amalgamated Clothing and Textile Workers Union, AFL-CIO, stated, unions play a constructive role in the US economy:

> First, unions and the contracts they negotiate are a civilized means of encouraging much-needed industrial stability and democracy in the work place. Second, unions provide discipline and continuity in the work force. And third, unions provide a democratic social balance in the interest of business by pursuing legislation and

> policies on behalf of the otherwise anonymous and powerless working majority. (Remarks before the EPC Plenary, September 14, 1984.)

Unions believe that in order to put US labor-management relations on a more cooperative footing, management must be more responsive to the needs of workers. It must make a commitment to work with American labor on state-of-the-art production in the United States; offer some form of employment security; and allow workers to share more in economic gains just as they have shared in sacrifice. Gain-sharing in areas where workers are directly responsible for improvement, such as productivity and quality, is especially important.

For their part, many managers remain concerned that where unions are allowed to organize, they will use their monopoly bargaining power to force wages and benefits to levels that will undermine competitiveness. Furthermore, they fear that unions may resist needed changes in technology and global strategy rather than act as agents of change.

Many economists do not blame our jobs problems on either labor or management but on a combination of factors. In times of stability, prosperity, and relative economic success, the role of labor and management is rarely questioned. But in times of rapid change, increasing competition, and slow growth, both actors are closely scrutinized. As Ray Marshall has noted:

> . . . growth permitted collective bargaining to be more over how to share gains rather than how to share losses or gain great efficiency. With high-

> productivity growth, industrial relations systems could give greater weight to stability, equity, and certainty than to efficiency and flexibility. In addition, so long as business was growing and prosperous, there was more general acceptance of management systems, the legitimacy of the corporation, and predominantly private investment decisions. With declining productivity growth, inflation, and rising unemployment, these matters are coming under stronger attack. ("Some Trends Influencing the Industrial Relations System" in "International Issues in Industrial Relations," Australian Journal of Industrial Relations, 1981, p. 27)

Although extensive restructuring is still required, recent developments are encouraging. The 1984 General Motors (GM) and Ford contracts with the United Auto Workers are positive examples of agreements that not only satisfied worker concerns with employment security and a fair share of company profits but also satisfied business concerns with the need to retain competitiveness. Perhaps the most noteworthy aspects of the GM contract were the $1 billion employment security fund and the $100 million new venture fund, which were established to promote employment security and to help displaced workers make job transitions. Ford agreed to a three-year ban on plant closings and also agreed to devote $280 million to an employment security program (which is comparable to the GM program given the smaller size of Ford's work force) that would provide wages to workers who lose their jobs due to the introduction of new technology, the consolidation of operations, or out-sourcing.

Education and Training

Though often lumped together because they are closely related, education and training are different in important ways. Education is the framework on which training is built, and quality education is the sine qua non for effective training. Without a work force that is well versed in basic language and quantitative skills, training programs -- no matter how well they are designed and implemented -- can have little beneficial impact.

US public education has been the focus of intense debate in recent years. Just as there is a growing recognition of the importance of human capital to competitiveness, there is also a realization that many parts of our school system are failing to meet this challenge. Albert Shanker, president of the American Federation of Teachers, AFL-CIO, has pointed out some of the problems that schools must overcome: poor standards, lack of concern with basic cognitive skills, decentralized course requirements, and, most important, poorly qualified teachers. Unless schools have enough highly qualified teachers, no amount of reform in other areas will significantly upgrade our educational system.

For the better part of this century, the United States enjoyed a highly qualified pool of teachers, but this was largely the by-product of other events. To quote Shanker:

> We depended on the Great Depresssion, draft deferments, and discrimination against women in other fields to bring us bright recruits. In a pros-

> perous, peacetime society in which doors have been opened to women, teacher salaries have to be market-sensitive -- they have to match at least what college graduates can earn in other fields. They do not. (Remarks before the EPC Jobs Panel, November 5, 1984.)

In New York City, the starting salary for teachers with a bachelor's degree is $14,527, compared to $20,000 for sanitation workers, $20,146 for accountants, $23,907 for social workers, and $26,844 for engineers. And not only do employees in these other occupations start at higher salaries, their income goes up faster.

Other industrial nations have established incentive systems that guarantee an adequate supply of qualified teachers. Japan, for example, pays beginning high school teachers $19,000 per year, which is commensurate with entry-level corporate positions and well above the average entry-level public sector wage of $16,800. As Anne Heald, program officer of the German Marshall Fund of the United States, has pointed out, those countries in Europe that have long been subject to international competition are particularly concerned with human capital and a highly skilled work force and as a result accord much more status to the teaching profession. (Comments before the EPC Jobs Panel, November 5, 1984.)

If the United States is to remain internationally competitive, it is critical that its human capital be adequately educated and trained. Education and training are not a one-time effort, but are part of a continuing process that provides workers at all levels of an enterprise with a sound basic education and the opportunity to regularly upgrade their skills throughout their working lives. As Harvey Picker, professor and former dean of the School of International and Public Affairs at Columbia University, stated:

> In earlier days, it was reasonable to regard youth as the time of life to be devoted to learning, while adulthood was the period of working, not studying. But that division of activities into two stages of life has been made obsolete by the rapid changes that take place in technology. One can no longer anticipate that the skills learned as a young adult will continue to be useful throughout one's life. (Remarks before the EPC Jobs Panel, November 5, 1984.)

Today, adults must continue to learn new skills throughout their working life, and therefore a long-term commitment to quality education is essential.

It is not enough for workers to have a framework of basic education; they must maintain and broaden their learning skills. Workers under the emotional and economic stress of losing their job often have difficulty acquiring a new skill, especially if they have not kept their learning skills sharp. Learning is a skill that must be continuously sharpened throughout working life, just as plant and equipment must be continuously modernized, and this process must include employees at all levels.

Panel Perspectives

Panel members were in agreement that quality education and training were essential to a skilled work force capable of meeting international competition. However, members of organized labor pointed out that in times of recession or falling demand, training programs are often the first thing to be cut, and expressed concern over the US corporate commitment to improve its human capital. They also emphasized that tax laws should be reformed on a permanent basis to help workers train in new skills so that they can make the transition to other jobs. Furthermore, they questioned what to train workers for. If desirable, identifiable jobs exist, it is relatively easy to train people to fill those jobs, but training is much more difficult if it is unclear what the future jobs will be. As Douglas Fraser pointed out, both Ford and GM have training funds, which currently show a surplus because of the inability to target appropriate jobs for the people to be trained.

It was agreed that training is most effective when it is targeted on jobs that are both desirable and obtainable. However, in the absence of such jobs, companies and workers can constructively focus on the improvement of basic learning skills because the ability to read, write, and do basic calculations will allow workers to pick up more specific, job-related skills later on. It was also stressed that it is important for companies to help workers enrich their

basic skills during profitable years because in lean years many training programs are deemphasized and the emotional distress of laid-off workers inhibits learning.

Many business groups are already extensively involved in public education, and panel members encouraged this trend. Business groups in California, Texas, Tennessee, and other states have had a visible impact on education. As Shanker noted:

> It is no longer simply a matter of smart community relations for educators to care about what business leaders think about schools. And for business to take an active role in sustaining public schools is not simply a matter of benevolence or philanthropy. Rather, in both instances, school-business cooperation is a question of self-interest. In the case of business, there has never been a greater need for educated and skilled workers who have the capacity for being readily (perhaps repeatedly) retrained. At the same time, the decline in birth rate means that the pool from which such workers will be drawn will be shrinking. Talent will be harder to find, and educational failure, which business once viewed as an individual or a social problem, will have a direct impact on business. (Remarks before the EPC Jobs Panel, November 5, 1984.)

For very real economic reasons, then, business can no longer afford educational failure. Business involvement in education is not a philanthropic activity but an investment in the future.

Business participation in education and training has revealed several noteworthy lessons. First, it is important to focus on both process and substance. While substance is essential, many critical lessons relate to process: workers must be trained to increase their flexibility, adaptability, and ability to set priorities and to work well with others.

This helps motivate workers to learn new skills and to strive for excellence. These values cannot be inculcated by simple training programs but must be integrated into everyday work life.

It was also stressed that training and adult education are often regarded as stigmas because they are viewed as a compensation for poor preparation or initial failure. It is necessary to move beyond this concept and to begin to regard ongoing education and training as a fundamental requirement of the modern work force. Although vocational education is basic to preparing people for work, vocational education programs are more efficient when they are administered by businesses than by academic institutions. Furthermore, continuing-education programs are often much more effective if people are allowed to train in private at their own pace.

Most of the needed changes in education and training programs must come at the state and local levels. Many union representatives are concerned that, as crucial as these programs are, they are long-term efforts that do little to address our short-term jobs problems. Unless the problem of labor demand is confronted, education and training programs can at best have a marginal impact -- they cannot accomplish the major task of getting people back to work. However, as John Filer has pointed out, education and training initiatives may be long-term investments, but they are nonetheless critical in an era in which human capital is an increasingly important aspect of US competitiveness.

CONCLUSION

The accelerating momentum of change and heightened competition have had a profound impact on work life in the United States. US labor markets are in the midst of a wrenching transition, and our nation's economic future will depend in large part on how well we develop and employ our human capital resources. In many ways, US labor markets have performed better than those in other industrial nations, but we must do more. Government, management, and labor must work together to improve the adaptability of American workers and to ensure that the United States does not permanently leave behind a tier of its work force as we move into a global, technological era.

THE ECONOMIC POLICY COUNCIL

The Economic Policy Council (EPC) of the United Nations Association of the United States of America (UNA-USA) was founded in 1976 as an outgrowth of the turbulent international economic scene of the early 1970's. Its mission is to sponsor a systematic and constructive involvement in international economic problems by the American private sector. The EPC is committed to representing the views of both management and labor. Its membership comprises a cross section of US business and labor leaders, who, in collaboration with economists and informed professionals, are able to come to policy recommendations that have special legitimacy because management and labor represent the two most important elements in the US domestic economy. The EPC is cochaired by Robert O. Anderson, chairman of the Atlantic Richfield Company, and Douglas A. Fraser, president emeritus, International Union-United Auto Workers. Its expanded Steering Committee consists of Charles F. Barber, former chairman, ASARCO, Incorporated; Henry Kaufman, executive director, Salomon Brothers Inc; Ray Marshall, Bernard Rapoport Professor of Economics and Public Affairs, University of Texas at Austin; Jack Sheinkman, secretary-treasurer, Amalgamated Clothing and Textile Workers Union, AFL-CIO; Thomas A. Vanderslice, president and chief executive officer, Apollo Computer Inc.; and Lynn R. Williams, president, United Steelworkers of America, AFL-CIO-CLC. The EPC now has over one hundred members.

EPC members are brought together in study panels to analyze major international economic issues affecting long-run US relationships with both developed and developing countries. Every year, the EPC branches out into three panels, each of which addresses a specific topic such as **"The Global Repercussions of US Monetary and Fiscal Policy";"U.S. Trade and Economic Relations with Japan and Mexico"**; and **"The Productivity Problem--U.S. Labor-Management Relations"** (to name three recent panels). The EPC both identifies critical policy questions and makes recommendations to Congress, the administration, international organizations, and the US business and labor sectors. Council members testify at hearings in the House of Representatives and in the Senate; cabinet-level officials and leading congressional figures attend the annual plenary sessions of the EPC to engage in an informal exchange of views; and several study panels have met with and advised presidential task forces.

The EPC plays an important role in UNA-USA's multilateral approach to global problems. Through its study of international economic issues, the EPC contributes to the ongoing effort to find multilateral solutions for problems confronting the global economy. As part of UNA-USA's Policy Studies Outreach Program, the EPC holds outreach conferences in major US cities across the country.

These conferences allow the Council to more widely disseminate the recommendations of its panel reports and to present a forum whereby UNA-USA chapters nationwide can draw attention to and focus on the conclusions of these studies.

Currently, the EPC is conducting part two of its world employment project on "Parents and Work: Family Policy in Comparative Perspective" and has launched a new panel study on "US Policy Toward the Newly Emerging Industrial Countries."

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